

**The Corporation of the  
Town of Hanover  
Consolidated Financial Statements  
For the year ended December 31, 2024**

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## Statement of Administrative Responsibility

### Management's Responsibility for the Consolidated Financial Statements

The management of The Corporation of the Town of Hanover have prepared the accompanying financial statements and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the Canadian Institute of Chartered Professional Accountants.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, administration has developed and maintained a system of internal control designed to provide reasonable assurance that the Municipality's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Chief Administrative Officer and Director of Corporate Services review the financial statements before such statements are submitted to Council and published for the residents of Hanover. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

The Council of the Municipality meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the council's approval of the financial statements.

The financial statements have been audited by MNP LLP, independent external auditors appointed by council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



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Sherri Walden  
Chief Administrative Officer



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Christine Walker  
Director of Corporate Services

To the Members of Council of The Corporation of the Town of Hanover:

### Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Hanover and its subsidiaries (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations, consolidated changes in net financial assets and consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2024, and the results of its consolidated operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The consolidated financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on October 21, 2024.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Municipality as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hanover, Ontario

August 11, 2025

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

# The Corporation of the Town of Hanover

## Consolidated Statement of Financial Position

December 31	2024	2023
<b>Financial assets</b>		
Cash (Note 1, page 15)	\$ 15,849,132	\$ 9,754,115
Portfolio investments (Note 2, page 15)	1,665,033	3,319,132
Taxes receivable	620,863	541,579
Water and wastewater charges receivable	805,580	721,286
Government transfers receivable	1,447,842	1,843,599
Other receivables	1,424,733	2,728,310
Inventory for resale	29,075	49,924
Loans receivable (Note 3, page 15)	-	1,135,083
Long-term investments (Note 4, page 15)	2,756,742	2,756,742
	<u>24,599,000</u>	<u>22,849,770</u>
<b>Liabilities</b>		
Temporary borrowings (Note 6, page 16)	5,824,778	41,609
Accounts payable and accrued liabilities	3,765,780	2,427,219
Deferred revenue (Note 5, page 16)	891,913	1,722,443
Long-term debt (Note 7, page 17)	112,326	277,079
Asset retirement obligation (Note 8, page 18)	4,919,993	4,846,600
Retirement benefit liability (Note 10, page 19)	1,164,927	1,374,941
	<u>16,679,717</u>	<u>10,689,891</u>
<b>Net financial assets</b>	<u>7,919,283</u>	<u>12,159,879</u>
<b>Non-financial assets</b>		
Prepaid expenses	329,331	40,689
Inventory of supplies	207,052	183,908
Land held for sale	1,935,401	1,938,418
Tangible capital assets (Note 11, page 21)	101,324,483	92,514,914
	<u>103,796,267</u>	<u>94,677,929</u>
<b>Accumulated surplus (Note 12, page 23)</b>	<u>\$ 111,715,550</u>	<u>\$ 106,837,808</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

## The Corporation of the Town of Hanover Consolidated Statement of Operations

For the year ended December 31	2024 Budget (Note 20)	2024 Actual	2023 Actual
<b>Revenue</b>			
Taxation	\$ 9,238,200	\$ 9,228,399	\$ 8,555,592
Government transfers (Note 15, page 26)	7,572,800	7,292,167	6,043,393
Water and wastewater charges	4,848,200	5,298,122	4,783,949
User fees and service charges	2,419,591	2,271,464	3,828,963
Investment income	391,200	1,063,309	892,976
Donations	208,500	330,337	188,684
Other income (Note 16, page 28)	708,350	636,887	572,658
	<u>25,386,841</u>	<u>26,120,685</u>	<u>24,866,215</u>
<b>Expenses</b>			
General government	1,928,600	1,882,725	2,244,198
Protection services	5,386,400	5,447,445	4,786,338
Transportation services	2,295,766	2,187,240	3,229,267
Transit	1,067,327	1,210,635	1,192,327
Environmental services	4,640,700	4,544,254	4,416,407
Health and social services	936,000	865,798	829,892
Recreation and cultural services	4,189,000	4,484,678	4,228,721
Planning and development	715,900	620,168	568,979
	<u>21,159,693</u>	<u>21,242,943</u>	<u>21,496,129</u>
<b>Annual surplus</b>	4,227,148	4,877,742	3,370,086
<b>Accumulated surplus, beginning of the year</b>	<u>106,837,808</u>	<u>106,837,808</u>	<u>103,467,722</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 111,064,956</u>	<u>\$ 111,715,550</u>	<u>\$ 106,837,808</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

## The Corporation of the Town of Hanover

### Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	2024 Budget (Note 20)	2024 Actual	2023 Actual
<b>Annual surplus</b>	\$ 4,227,148	\$ 4,877,742	\$ 3,370,086
Acquisition of tangible capital assets	(15,958,683)	(12,140,209)	(6,017,810)
Proceeds on disposal of tangible capital assets	10,000	62,200	38,446
Amortization expense	2,853,800	3,038,874	2,741,464
Writedown on disposal of tangible capital assets	-	229,566	598,828
	(13,094,883)	(8,809,569)	(2,639,072)
Increase in prepaid expenses	-	(288,642)	16,301
Increase in inventory of supplies	-	(23,144)	(33,954)
Decrease in assets held for sale	-	3,017	95,074
	-	(308,769)	77,421
<b>Change in net financial assets</b>	(8,867,735)	(4,240,596)	808,435
<b>Net financial assets, beginning of year</b>	12,159,879	12,159,879	11,351,444
<b>Net financial assets, end of year</b>	\$ (8,867,735)	\$ 7,919,283	\$ 12,159,879

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.



# The Corporation of the Town of Hanover

## Consolidated Statement of Cash Flows

For the year ended December 31

2024

2023

### Cash provided by (used in)

#### Operating activities

Annual surplus	\$ 4,877,742	\$ 3,370,086
Items not involving cash		
Amortization and write down of tangible capital assets	3,268,440	3,340,292
Retirement benefit liability	(210,014)	46,274
Accretion of asset retirement obligation	73,393	71,241
	<u>8,009,561</u>	<u>6,827,893</u>
Change in balances		
Increase in taxes receivable	(79,284)	(9,596)
Decrease (increase) in accounts receivable	1,615,040	(1,983,063)
Decrease (increase) in inventory for resale	20,849	(32,283)
Increase in accounts payable	1,338,561	545,016
Increase (decrease) in deferred revenue	(830,530)	50,680
Decrease (increase) in non-financial assets	(308,769)	77,421
	<u>9,765,428</u>	<u>5,476,068</u>

#### Capital activities

Acquisition of tangible capital assets	(12,140,209)	(6,017,810)
Proceeds on disposal of tangible capital assets	62,200	38,446
	<u>(12,078,009)</u>	<u>(5,979,364)</u>

#### Investing activities

Purchase of investments	(345,901)	(591,742)
Proceeds on sale of investments	2,000,000	-
Decrease in loans receivable	1,135,083	-
	<u>2,789,182</u>	<u>(591,742)</u>

#### Financing activities

Increase in temporary borrowings	5,783,169	8,262
Repayment of long-term liabilities	(164,753)	(160,675)
	<u>5,618,416</u>	<u>(152,413)</u>

#### Net change in cash

6,095,017 (1,247,451)

#### Cash, beginning of year

9,754,115 11,001,566

#### Cash, end of year

\$ 15,849,132 \$ 9,754,115

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## The Corporation of the Town of Hanover Summary of Significant Accounting Policies

December 31, 2024

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### Basis of Accounting

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada.

### Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by council. All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

The following boards owned or controlled by council have been consolidated:

Hanover Police Services Board  
Hanover Public Library Board  
Hanover Downtown Improvement Area  
Launch Pad Youth Activity & Technology Centre

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Saugeen Mobility and Regional Transit	18.8% (2023- 18.3%)
Hanover / Walkerton Landfill Site	50.0% (2023- 31.19%)
Saugeen Municipal Airport	31.19% (2023- 31.0%)

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## The Corporation of the Town of Hanover Summary of Significant Accounting Policies

December 31, 2024

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### Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management has made estimates of historical cost, useful lives and amortization of tangible capital assets. In addition, estimates have been made of asset retirement obligations and employee future benefits costs. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

### Revenue Recognition

Revenues are recognized as follows:

- a) Taxation revenues are recorded at estimated amounts when they meet the definition of an asset, have been authorized, and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
- b) Fines and donations are recognized when collected.
- c) Fees, user charges and other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance and forms part of the respective deferred revenue balances.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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## The Corporation of the Town of Hanover Summary of Significant Accounting Policies

December 31, 2024

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### Inventory

Inventory of goods held for resale are recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

Assets held for sale, where it is not anticipated that the sale will be completed within one year, are reported as a non-financial asset.

Inventory of goods held for consumption are recorded as a non-financial asset at the lower of cost and replacement cost. Cost is determined on the first-in first-out basis.

### Tangible Capital Assets

Purchased tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. Amortization is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives of the assets are based on estimates made by management as follows:

Land improvements	25 to 40 years
Buildings	50 to 100 years
Building components	10 to 80 years
Equipment	5 to 25 years
Vehicles	5 to 30 years
Infrastructure:	
Road surfaces	20 to 80 years
Utility systems	70 to 100 years

### Intangible Assets

Intangible assets, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in these financial statements.

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## The Corporation of the Town of Hanover Summary of Significant Accounting Policies

December 31, 2024

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### **Asset Retirement Obligations**

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

### **Liability for Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. Management is not aware of any contaminated sites.

### **Employee Future Benefits**

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs, and retirement ages of employees.

Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and cash accounts held at financial institutions.

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## The Corporation of the Town of Hanover Summary of Significant Accounting Policies

December 31, 2024

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**County and School Board**

The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.

**Trust Funds**

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial position and activity of the trust funds are reported separately on the trust fund balance sheet and statement of continuity.

**Financial Instruments**

Cash is measured at fair value. All other financial assets and financial liabilities are measured at amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 1. Cash

Cash consists of deposits at a financial institution. The deposits earn interest at prime less 1.55%, on all business accounts, payable monthly.

The municipality has a line of credit that bears interest at the lender's prime rate less 0.5%. At December 31, 2024, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$563,229 (2023 - \$1,017,615), the use of which is externally restricted by legislation or agreement.

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### 2. Portfolio Investments

	2024	2023
Mutual funds and GIC	\$ 1,665,033	\$ 3,319,132
Market value	\$ 2,576,450	\$ 4,136,981

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### 3. Loans Receivable

	2024	2023
Note receivable, Westario Power Inc., 4.12% repaid in the year	\$ -	\$ 1,135,083

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### 4. Long-Term Investments

	2024	2023
Westario Power Inc. 1,509 common shares	\$ 2,756,742	\$ 2,756,742

The municipality owns 15.09% of the outstanding shares of Westario Power Inc., a private company incorporated under the laws of the Province of Ontario. The fair value of these shares is not practicable to determine in the absence of published market quotations.

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2024**

### 5. Deferred Revenue

	2024	2023
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 594,127	\$ 1,380,118
Federal Gasoline Tax Funding	29,135	20,657
	<u>623,262</u>	<u>1,400,775</u>
Deferred revenue	<u>268,651</u>	<u>321,668</u>
	<u><b>\$ 891,913</b></u>	<u><b>\$ 1,722,443</b></u>

The net change during the year in the obligatory reserve fund balances is made up of the following:

	Balance beginning of year	Restricted funds received	Interest earned	Revenue recognized	Balance end of year
Provincial Gasoline Tax Funding	\$ 1,380,118	\$ 185,207	\$ 42,534	\$(1,013,732)	\$ 594,127
Federal Gasoline Tax Funding	20,657	254,282	4,196	(250,000)	29,135
Total	<u>\$ 1,400,775</u>	<u>\$ 439,489</u>	<u>\$ 46,730</u>	<u>\$(1,263,732)</u>	<u><b>\$ 623,262</b></u>

### 6. Temporary Borrowings

	2024	2023
Ontario Infrastructure Temporary Loan, interest at Prime, interest only payments, interest at prime + 0%, due October 2029	\$ 5,800,000	\$ -
Credit union operating loan, prime rate less 0.50%, calculated and payable monthly.	<u>24,778</u>	<u>41,609</u>
	<u><b>\$ 5,824,778</b></u>	<u><b>\$ 41,609</b></u>



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**The Corporation of the Town of Hanover**  
**Notes to Consolidated Financial Statements**

**December 31, 2024**

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**7. Long-Term Debt**

	<u>2024</u>	<u>2023</u>
Term loan payable, 2.52%, payable \$14,155 principal and interest monthly, due August 2025	<u>\$ 112,326</u>	<u>\$ 277,079</u>

Principal payments required on the long-term debt are as follows:

2025	\$ 112,326
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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 8. Asset Retirement Obligation

The municipality's financial statements include an asset retirement obligation for asbestos, lead paint and PCB's in the municipality's facilities. The municipality has also included an asset retirement obligation for the closure and post-closure costs with the municipality's active landfill site and post-closure costs of the municipality's closed landfill site. The related asset retirement costs are being amortized on a straight line basis. The liability associated with the closure and post-closure costs has been estimated using a net present value technique with a discount rate of 3.37% (2023 - 3.37%). The liability associated with other asset retirement obligations have not been present valued due to the uncertainty as to when the asbestos will be removed.

The estimated total undiscounted future expenditures are \$11,139,301 (2023 - \$11,139,302). The expenditures are expected to be incurred and liability settled as follows:

\$321,883 incurred over the next 10 years and settled 2025 to 2034;  
\$652,212 incurred over the next 20 years and settled 2035 to 2044;  
\$1,767,120 incurred over the next 30 years and settled 2045 to 2054;  
\$3,187,329 incurred over the next 40 years and settled 2055 to 2064;  
\$3,418,259 incurred over the next 50 years and settled 2065 to 2074;  
\$1,642,498 incurred over the next 60 years and settled 2075 to 2084;  
\$Nil incurred over the next 70 years and settled 2085 to 2094; and  
\$150,000 incurred over the next 80 years and settled 2095 to 2104.

	2024	2023
Balance, beginning of year	4,846,600	4,775,359
Increase due to accretion expense	83,633	81,232
(Decrease) due to liability settled during the year	(10,240)	(9,991)
Balance, end of year	<u>\$ 4,919,993</u>	<u>\$ 4,846,600</u>

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 9. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 109 (2023 - 86) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2024 was \$544,353 (2023 - \$521,138). The contribution rate for 2024 was 9.0% to 15.8% depending on age and income level (2023 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits is the joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was as at December 31, 2024. At that time, the plan reported an actuarial deficit of \$2.9 billion (2023 - deficit of \$4.2 billion), based on actuarial liabilities of \$140.8 billion (2023 - \$134.6 billion) and actuarial assets of \$137.9 billion (2023 - \$130.4 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in financial markets may lead to increased future funding requirements.

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### 10. Retirement Benefit Liability

The municipality provides retirement benefits other than pensions to substantially all of its full-time employees. The plan provides extended health and life insurance benefits to age 65. Certain employees may take a retirement lump sum payout in lieu of the benefit continuation. The plan is unfunded and requires no contribution from employees.

The retirement benefit liability at December 31 is determined as follows:

	<u>2024</u>	<u>2023</u>
Retirement benefit		
accrued benefit obligation	\$ 1,312,680	\$ 1,534,177
Unamortized actuarial gain (loss)	<u>(147,753)</u>	<u>(159,236)</u>
Retirement benefit liability	<u>\$ 1,164,927</u>	<u>\$ 1,374,941</u>

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 10. Retirement Benefit Liability (continued)

The above amounts were determined by actuarial valuation using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared at December 31, 2021. The accrued benefit obligation shown for 2024 is based on an extrapolation of that 2021 valuation. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups (13 years).

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical premium inflation rates, wage increases, employee turnover, and mortality rates. The assumptions used reflect management's best estimates, but are subject to measurement uncertainty. Actual results could differ significantly from those estimated because of the uncertainty related to future events and conditions. The liability was determined using a discount rate of 3.25%, along with an inflation rate of 1.75% and a compensation increase rate of 1.75% to 2.75%. For extended health care costs, a 5.42% annual rate of increase was assumed for 2022, decreasing to an ultimate annual rate of increase of 3.75% in 2028. For dental costs, a 3.75% annual rate of increase was assumed.

The total expense related to post-employment benefits other than pensions, includes the following components:

	2024	2023
Current service cost	\$ (139,373)	\$ 94,592
Interest cost	41,863	40,054
Amortization of actuarial gain/(loss)	11,483	1,150
Total expense for the year	(86,027)	135,796
Benefit payments	(123,987)	(89,523)
Change in liability for the year	\$ (210,014)	\$ 46,273

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**The Corporation of the Town of Hanover**  
**Notes to Consolidated Financial Statements**

**December 31, 2024**

**11. Tangible Capital Assets**

For the year ended December 31, 2024

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2024 Total
<b>Cost, beginning of year</b>	\$ 10,517,515	\$ 47,510,068	\$ 7,776,354	\$ 3,584,930	\$ 64,369,008	\$133,757,875
Additions	189,802	6,223,021	2,386,518	320,653	3,020,215	12,140,209
Disposals	(26,363)	(400,451)	(504,740)	(126,020)	(129,921)	(1,187,495)
<b>Cost, end of year</b>	<b>10,680,954</b>	<b>53,332,638</b>	<b>9,658,132</b>	<b>3,779,563</b>	<b>67,259,302</b>	<b>144,710,589</b>
<b>Accumulated amortization, beginning of year</b>	2,221,297	15,933,610	4,049,831	1,870,348	17,167,875	41,242,961
Amortization	193,875	965,589	360,278	274,578	1,244,554	3,038,874
Disposals	(2,614)	(353,885)	(342,905)	(126,020)	(70,305)	(895,729)
<b>Accumulated amortization, end of year</b>	<b>2,412,558</b>	<b>16,545,314</b>	<b>4,067,204</b>	<b>2,018,906</b>	<b>18,342,124</b>	<b>43,386,106</b>
<b>Net carrying amount, end of year</b>	<b>\$ 8,268,396</b>	<b>\$ 36,787,324</b>	<b>\$ 5,590,928</b>	<b>\$ 1,760,657</b>	<b>\$ 48,917,178</b>	<b>\$101,324,483</b>

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

### 11. Tangible Capital Assets (continued)

For the year ended December 31, 2023

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2023 Total
<b>Cost, beginning of year</b>	\$ 10,507,700	\$ 46,266,974	\$ 7,667,027	\$ 3,582,423	\$ 61,717,412	\$ 129,741,536
Additions	34,925	1,741,417	1,166,688	157,093	2,917,687	6,017,810
Disposals	(25,110)	(498,323)	(1,057,361)	(154,586)	(266,091)	(2,001,471)
<b>Cost, end of year</b>	<b>10,517,515</b>	<b>47,510,068</b>	<b>7,776,354</b>	<b>3,584,930</b>	<b>64,369,008</b>	<b>133,757,875</b>
<b>Accumulated amortization, beginning of year</b>	2,035,465	15,209,547	4,596,132	1,776,268	16,248,282	39,865,694
Amortization	194,142	905,989	361,651	246,557	1,033,125	2,741,464
Disposals	(8,310)	(181,926)	(907,952)	(152,477)	(113,532)	(1,364,197)
<b>Accumulated amortization, end of year</b>	<b>2,221,297</b>	<b>15,933,610</b>	<b>4,049,831</b>	<b>1,870,348</b>	<b>17,167,875</b>	<b>41,242,961</b>
<b>Net carrying amount, end of year</b>	<b>\$ 8,296,218</b>	<b>\$ 31,576,458</b>	<b>\$ 3,726,523</b>	<b>\$ 1,714,582</b>	<b>\$ 47,201,133</b>	<b>\$ 92,514,914</b>

The carrying value of tangible capital assets not being amortized because they were under construction, development, or were removed from service during the year is \$1,561,570 (2023 - \$3,245,821).

Certain land assets have been recorded at nominal values. The land can be used to provide future services.

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 12. Accumulated Surplus

The accumulated surplus reported on the consolidated statement of financial position is comprised of the following:

	<u>2024</u>	<u>2023</u>
General surplus (deficit)	\$ (80,389)	\$ (62,202)
Reserves and reserve funds		
set aside for specific purpose by council (Note 13)	20,546,696	18,961,710
Amounts to be recovered (Note 14)	(11,997,246)	(6,498,620)
Amount invested in land for resale	1,922,006	1,922,006
Amount invested in tangible capital assets	<u>101,324,483</u>	<u>92,514,914</u>
Accumulated surplus	<u>\$ 111,715,550</u>	<u>\$ 106,837,808</u>

The general surplus (deficit) is comprised of the following:

Saugeen Municipal Airport	\$ (20,943)	\$ (31,272)
Launch Pad Youth Activity & Technology Centre	<u>(59,446)</u>	<u>(30,930)</u>
	<u>\$ (80,389)</u>	<u>\$ (62,202)</u>

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2024

### 13. Reserves and Reserve Funds

	2024	2023
<b>Reserves set aside for specific purpose by council:</b>		
Working funds	\$ 457,434	\$ 457,434
WSIB	113,450	114,192
<b>Current</b>		
General government	789,291	87,659
Protection services	63,669	272,569
Health services	3,305	3,785
Westario Power proceeds, set aside in note for future use	-	380,000
Other	1,981	-
<b>Capital</b>		
Protection services	157,501	781,517
Wastewater	1,766,856	1,085,945
Water	1,380,802	1,289,054
Waste collection and disposal	909,220	717,703
Health services	31,280	44,302
Hanover Public Library Board	352,431	299,025
Recreation and culture	37,751	76,437
Planning and development	158,086	144,101
Other capital purposes	2,086,568	2,054,308
	<b>8,309,625</b>	<b>7,808,031</b>
<b>Reserve funds set aside for specific purpose by council:</b>		
Infrastructure	765,950	690,647
Investing in Hanover	945,749	1,158,353
Water	5,048,014	3,313,780
Wastewater	2,645,547	3,164,491
Planning and development	75,069	69,666
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	<b>12,237,071</b>	<b>11,153,679</b>
<b>Reserves and reserve funds set aside for specific purpose by council</b>	<b>\$ 20,546,696</b>	<b>\$ 18,961,710</b>



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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 14. Amounts to be recovered

The balance of the amounts to be recovered is comprised of the following:

	<u>2024</u>	<u>2023</u>
Short-term debt	\$ 5,800,000	\$ -
Long-term debt	112,326	277,079
Retirement benefit liability	1,164,927	1,374,941
Asset retirement obligation	<u>4,919,993</u>	<u>4,846,600</u>
	<u>\$ 11,997,246</u>	<u>\$ 6,498,620</u>

The net change during the year in the amounts to be recovered is made up of the following:

	<u>2024</u>	<u>2023</u>
New debt issued	\$ 5,800,000	\$ -
Principal payments on long-term debt	(164,753)	(160,675)
Decrease in insurance deductible	-	(13,500)
Increase (decrease) in retirement benefit liability	(210,014)	46,273
Change in asset retirement obligation	<u>73,393</u>	<u>71,241</u>
Increase (decrease) in amounts to be recovered	<u>\$ 5,498,626</u>	<u>\$ (56,661)</u>

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

### 15. Government Transfers

Government transfer revenue is comprised of the following:

	2024 Budget	2024 Actual	2023 Actual
<b>Operating</b>			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 2,055,000	\$ 2,055,000	\$ 1,929,100
Ontario Lottery and Gaming Corporation	1,300,000	1,332,101	1,268,217
Province of Ontario conditional grants			
General government	-	-	29,844
Protection services	8,700	53,564	50,256
Transit	600,000	635,145	573,885
Waste collection	103,000	107,029	124,060
Hanover Public Library Board operating grant	16,500	17,572	16,811
Social and Family Services	22,000	18,096	15,292
Other	21,500	21,526	84,623
	<u>4,126,700</u>	<u>4,240,033</u>	<u>4,092,088</u>
Government of Canada conditional grants			
Hanover Public Library Board	-	8,515	8,617
Other	2,200	42,295	8,214
	<u>2,200</u>	<u>50,810</u>	<u>16,831</u>
Other Municipalities conditional grants			
Protection services	140,800	140,800	135,700
Roadways	25,800	19,116	14,305
Other	-	-	20,000
	<u>166,600</u>	<u>159,916</u>	<u>170,005</u>
Total operating grants	<u>4,295,500</u>	<u>4,450,759</u>	<u>4,278,924</u>

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2024

### 15. Government Transfers (continued)

#### Tangible Capital Asset Grants

	2024 Budget	2024 Actual	2023 Actual
Province of Ontario conditional grants			
Roadways	475,000	442,099	475,692
Protection	428,700	370,865	-
Transit	140,000	378,587	283,479
Water and wastewater	-	78,167	32,199
Recreation and cultural services	519,800	421,362	250,762
	1,563,500	1,691,080	1,042,132
Government of Canada conditional grants			
Protection services	1,044,000	550,834	-
Roadways	46,000	-	245,000
Transit	-	-	93,192
Water and wastewater	-	93,809	38,642
Recreation and cultural services	623,800	505,685	345,503
	1,713,800	1,150,328	722,337
Total tangible capital asset grants	3,277,300	2,841,408	1,764,469
Total government transfer revenue	\$ 7,572,800	\$ 7,292,167	\$ 6,043,393

Included in expenses are government transfers for the following:

	2024 Budget	2024 Actual	2023 Actual
Conservation authority	\$ 148,400	\$ 148,386	\$ 135,498
Transit	739,283	845,774	857,638
Other	100,000	98,250	93,250
	\$ 987,683	\$ 1,092,410	\$ 1,086,386

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

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### 16. Other Income

	2024 Budget	2024 Actual	2023 Actual
Penalties and interest on taxation	\$ 80,000	\$ 96,003	\$ 91,884
Rents	388,300	388,139	394,111
Other	240,050	152,745	86,663
	<u>\$ 708,350</u>	<u>\$ 636,887</u>	<u>\$ 572,658</u>

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### 17. Financial Instruments

#### Financial Instrument Risk Management

The municipality is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments. This note describes the municipality's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

#### Credit Risk

The municipality is exposed to credit risk through its cash, investments, accounts receivable and loans receivable. Bank balances of \$15,849,132 are held at the same credit union. The Deposit Insurance Corporation of Ontario (DICO) insures deposits to a maximum of \$250,000 per depositor. There is the possibility of non-collection of trade and other receivables. The majority of the municipality's receivables are from ratepayers and government entities. For receivables, the municipality measures impairment of each receivable type based on how long the amounts have been outstanding. The amounts outstanding at year end, which is the municipality's maximum exposure to credit risk related to receivables, were as follows:

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2024**

### 17. Financial Instruments (continued)

	0 - 30 days	31 - 90 days	91 - 365 days	1 to 2 years	3 to 10 years
Cash	\$ 15,849,132	\$ -	\$ -	\$ -	\$ -
Portfolio Investments	1,665,033	-	-	-	-
Taxes receivable	251,859	194,493	48,623	112,087	13,801
Water and wastewater charges receivable	772,822	31,601	1,157		
Government transfers receivable	1,447,842	-	-	-	-
Other receivables	976,789	8,624	311,159	128,161	-
Inventory for resale	29,075	-	-	-	-
Long-term investments	2,756,742	-	-	-	-
Total financial assets	\$ 23,749,294	\$ 234,718	\$ 360,939	\$ 240,248	\$ 13,801

### Liquidity Risk

Liquidity risk is the risk that the municipality encounters difficulty in meeting its obligations as they fall due. The municipality has a planning and budgeting process in place to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality is exposed to liquidity risk through its temporary borrowings, accounts payable and accrued liabilities, and long-term liabilities. The municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. Further, the municipality seeks to maintain an available line of credit balance as approved by the appropriate borrowing by-law to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Within 6 months	6 months to 1 year	1 - 5 years	Over 5 years
Temporary borrowings	\$ 5,824,778	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	3,513,892	251,888	-	-
Long-term debt	83,956	28,370	-	-
Total financial liabilities	\$ 9,422,626	\$ 280,258	\$ -	\$ -

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2024

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### 17. Financial Instruments (continued)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings.

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### 18. Segmented Information

The Corporation of the Town of Hanover is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities that they encompass are as follows:

#### General Government

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

#### Protection Services

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

#### Transportation Services

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of specialty transportation services and an airport, both services that are shared with surrounding municipalities.

#### Water and Wastewater Services

This segment treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of wastewater.

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2024

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### 18. Segmented Information (continued)

#### Environmental Services

Environmental services consist of providing waste and recycling collection and the town's share of the operation of the Hanover / Walkerton joint landfill site.

#### Health Services

Health services are comprised of support to the medical clinic operations, cemetery and the Launch Pad Youth Activity and Technology Centre.

#### Hanover Public Library Board

This segment provides library services to assist with its citizens' informational needs.

#### Recreation and Cultural Services

This segment maintains parks and facilities and provides programs meant to improve the health and development of the municipality's citizens. Recreation programs such as skating and swimming lessons are provided at the arena and aquatic centre. The municipality also has a theatre to provide cultural programs.

#### Planning and Development

This segment provides services including residential and commercial planning, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation	- allocated to those segments that are funded through taxation based on their net expenditure for the year
Unconditional grants from OMPF & OLG	- allocated to those segments that are funded through unallocated revenues based on their net expenditure for the year

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2024**

### 18. Segmented Information (continued)

For the year ended December 31, 2024

	General Government	Protection Services	Transportation Services	Water and Wastewater	Environmental Services	Health and Social Services	Hanover Public Library Board	Recreation and Cultural Services	Planning and Development	2024 Total
<b>Revenue</b>										
Taxation	\$ 1,058,416	\$ 3,609,629	\$ 1,656,030	\$ -	\$ 244,198	\$ 35,717	\$ 470,527	\$ 1,791,829	\$ 362,053	\$ 9,228,399
Government transfers										
- OMPF & OLG	516,232	845,800	1,294,720	-	54,379	7,954	104,778	482,614	80,625	3,387,102
- other	-	1,116,063	1,474,947	171,976	108,481	53,174	26,087	935,041	19,296	3,905,065
Fees and user charges	66,365	36,852	217,387	5,298,122	603,783	309,267	44,634	914,271	78,905	7,569,586
Investment income	705,550	-	-	289,767	43,363	-	16,487	-	8,142	1,063,309
Donations and other revenue	278,204	38,626	36,590	-	-	377,824	10,324	214,554	11,102	967,224
	<u>2,624,767</u>	<u>5,646,970</u>	<u>4,679,674</u>	<u>5,759,865</u>	<u>1,054,204</u>	<u>783,936</u>	<u>672,837</u>	<u>4,338,309</u>	<u>560,123</u>	<u>26,120,685</u>
<b>Expenses</b>										
Salaries and benefits	1,162,879	3,448,419	679,003	948,558	125,822	252,353	426,499	1,795,067	259,175	9,097,775
Interest on debt	-	-	-	-	-	-	-	5,103	-	5,103
Materials and supplies	416,309	1,428,170	806,036	1,502,532	639,581	342,435	202,288	1,158,607	324,874	6,820,832
Contracted services	126,651	220,391	94,799	174,593	117,603	128,607	-	59,738	36,000	958,382
Government transfers	98,250	148,386	845,775	-	-	-	-	-	-	1,092,411
Amortization and Loss on Disposal	78,636	202,079	972,262	883,561	152,004	142,403	42,019	795,357	119	3,268,440
<b>Total expenses</b>	<u>1,882,725</u>	<u>5,447,445</u>	<u>3,397,875</u>	<u>3,509,244</u>	<u>1,035,010</u>	<u>865,798</u>	<u>670,806</u>	<u>3,813,872</u>	<u>620,168</u>	<u>21,242,943</u>
<b>Annual surplus (deficit)</b>	<u>\$ 742,042</u>	<u>\$ 199,525</u>	<u>\$ 1,281,799</u>	<u>\$ 2,250,621</u>	<u>\$ 19,194</u>	<u>\$ (81,862)</u>	<u>\$ 2,031</u>	<u>\$ 524,437</u>	<u>\$ (60,045)</u>	<u>\$ 4,877,742</u>



## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2024**

### 18. Segmented Information (continued)

For the year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Water and Wastewater	Environmental Services	Health and Social Services	Hanover Public Library Board	Recreation and Cultural Services	Planning and Development	2023 Total
<b>Revenue</b>										
Taxation	\$ 967,347	\$ 3,260,441	\$ 1,404,619	\$ -	\$ 246,964	\$ 42,010	\$ 439,512	\$ 1,870,318	\$ 324,381	\$ 8,555,592
Government transfers										
- OMPF & OLG	345,373	739,340	1,232,011	-	81,002	9,526	99,664	627,815	62,586	3,197,317
- other	29,844	185,956	1,721,968	70,841	124,060	(14,708)	25,428	606,213	96,473	2,846,075
Fees and user charges	41,259	286,037	1,644,728	4,783,949	611,340	187,212	16,763	829,712	211,913	8,612,913
Investment income	565,922	-	-	269,421	33,459	-	16,127	-	8,047	892,976
Donations and other revenue	276,367	12,490	24,496	-	-	411,781	19,858	16,350	-	761,342
	<u>2,226,112</u>	<u>4,484,264</u>	<u>6,027,822</u>	<u>5,124,211</u>	<u>1,096,825</u>	<u>635,821</u>	<u>617,352</u>	<u>3,950,408</u>	<u>703,400</u>	<u>24,866,215</u>
<b>Expenses</b>										
Salaries and benefits	1,165,140	3,473,201	645,855	944,110	126,600	248,683	418,720	1,771,280	168,897	8,962,486
Interest on debt	-	-	-	-	-	-	-	9,182	-	9,182
Materials and supplies	489,821	755,771	1,891,494	1,560,079	591,772	347,600	212,466	1,161,632	394,640	7,405,275
Contracted services	11,941	185,760	62,178	167,827	124,141	105,978	-	34,683	-	692,508
Government transfers	93,250	135,498	857,638	-	-	-	-	-	-	1,086,386
Amortization and Loss on Disposal	484,046	236,108	964,429	749,726	152,152	127,631	45,185	575,573	5,442	3,340,292
<b>Total expenses</b>	<u>2,244,198</u>	<u>4,786,338</u>	<u>4,421,594</u>	<u>3,421,742</u>	<u>994,665</u>	<u>829,892</u>	<u>676,371</u>	<u>3,552,350</u>	<u>568,979</u>	<u>21,496,129</u>
<b>Annual surplus (deficit)</b>	<u>\$ (18,086)</u>	<u>\$ (302,074)</u>	<u>\$ 1,606,228</u>	<u>\$ 1,702,469</u>	<u>\$ 102,160</u>	<u>\$ (194,071)</u>	<u>\$ (59,019)</u>	<u>\$ 398,058</u>	<u>\$ 134,421</u>	<u>\$ 3,370,086</u>

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2024

### 19. Government Partnerships

The following summarizes the financial position and operations of the municipal joint boards. The Town of Hanover's pro-rata share of these amounts have been reported in the financial statements using the proportionate consolidation method:

	Saugeen Municipal Airport	Saugeen Mobility and Regional Transit	Hanover / Walkerton Landfill Site
<b>Financial Assets</b>			
Cash and temporary investments	\$ 10,260	\$ 44,059	\$ 1,889,706
Accounts receivable	27,262	139,783	47,405
Other financial assets	15,824	-	-
	<u>53,346</u>	<u>183,842</u>	<u>1,937,111</u>
<b>Liabilities</b>			
Temporary borrowings	-	141,590	-
Accounts payable	114,138	140,894	118,672
Asset retirement obligation	-	-	5,110,157
Other liabilities	-	-	16,247
	<u>114,138</u>	<u>282,484</u>	<u>5,245,076</u>
Net financial assets (net debt)	(60,792)	(98,642)	(3,307,965)
Non-financial assets	<u>727,202</u>	<u>856,098</u>	<u>6,417,840</u>
Accumulated Surplus	<u>\$ 666,410</u>	<u>\$ 757,456</u>	<u>\$ 3,109,875</u>
<b>Accumulated Surplus</b>			
Reserves and reserve funds	\$ 6,358	\$ -	\$ 1,818,439
Amounts to be recovered in future years	(67,150)	-	(5,126,404)
Invested in tangible capital assets	<u>727,202</u>	<u>757,456</u>	<u>6,417,840</u>
	<u>\$ 666,410</u>	<u>\$ 757,456</u>	<u>\$ 3,109,875</u>
<b>Revenues</b>			
Contributions from Town of Hanover	\$ 47,904	\$ 137,465	\$ 200,000
Other government contributions	106,626	594,078	202,904
Other	331,974	1,492,965	826,218
Expenses	<u>(475,617)</u>	<u>(2,084,925)</u>	<u>(1,276,583)</u>
Annual surplus (deficit)	<u>\$ 10,887</u>	<u>\$ 139,583</u>	<u>\$ (47,461)</u>

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2024

### 19. Government Partnerships (cont'd)

Saugeen Mobility and Regional Transit (S.M.A.R.T.) operates a specialty transit service, Saugeen Municipal Airport operates a municipal airport and the Hanover / Walkerton Landfill Site operates a landfill site.

### 20. Budget Amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and change in net financial assets for comparative purposes. The budget amounts for The Corporation of the Town of Hanover are as approved by council and have been restated to conform to the basis of presentation of the revenues and expenses on the consolidated statements of operations and changes in net financial assets.

The following is a reconciliation of the budget approved by council:

	2024 Budget	2024 Actual	2023 Actual
Annual surplus	\$ 4,227,148	\$ 4,877,742	\$ 3,370,086
Acquisition of tangible capital assets	(15,958,683)	(12,140,209)	(6,017,810)
Proceeds on disposal of tangible capital assets	10,000	62,200	38,446
Amortization and write downs	2,853,800	3,268,440	3,340,292
Acquisition of assets held for sale and other	-	-	73,616
Proceeds from borrowings	6,983,700	5,800,000	-
Debt principal repayments	(255,300)	(164,753)	(160,675)
	(2,139,335)	1,703,420	643,955
Transfers from (to) reserves	2,028,383	(859,627)	(332,497)
Change in unfunded liabilities	-	(136,621)	104,014
	(110,952)	707,172	415,472
Reserve funds annual surplus	-	(725,359)	(430,708)
General surplus (deficit), beginning of year	(62,202)	(62,202)	(46,966)
General surplus (deficit), end of year	\$ (173,154)	\$ (80,389)	\$ (62,202)

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2024**

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### 21. Operations of School Boards and the County of Grey

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	2024	2023
School boards	\$ 2,183,676	\$ 2,156,079
County of Grey	3,537,442	3,294,794
	<u>\$ 5,721,118</u>	<u>\$ 5,450,873</u>

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### 22. Trust Funds

The trust funds administered by the municipality amounting to \$798,117 (2023 - \$748,472) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities. At December 31, 2024, the trust fund balances are as follows:

	2024	2023
Cemetery Pre-need Assurance Fund	\$ 252,788	\$ 220,626
Cemetery Care and Maintenance Funds	545,329	527,846
	<u>\$ 798,117</u>	<u>\$ 748,472</u>

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### 23. Contingencies and Contractual Obligations

The municipality has commitments with respect to capital projects at December 31, 2024 in the amount of \$1,771,000 (2023 - \$7,969,000).

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To the Members of Council of The Corporation of the Town of Hanover Trust Funds:

### Opinion

We have audited the financial information of The Corporation of the Town of Hanover Trust Funds (the "Trust Funds"), which comprise the balance sheet as at December 31, 2024, and the statement of continuity for the year then ended, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the accompanying financial information present fairly, in all material respects, the balance sheet of the Trust Funds as at December 31, 2024, and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

### Other Matter

The financial information for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on the financial information on October 21, 2024.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Information

Management is responsible for the preparation and fair presentation of the financial information in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Trust Funds's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Funds's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Funds's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Trust Funds as a basis for forming an opinion on the financial information. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hanover, Ontario

August 11, 2025

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

## The Corporation of the Town of Hanover Trust Funds Balance Sheet

December 31			2024	2023
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total
<b>Assets</b>				
Cash	\$ 251,655	\$ 195,994	\$ 447,649	\$ 400,267
Portfolio investments (Note 2)	-	562,642	562,642	452,041
Due from general account	1,133	-	1,133	-
	<u>\$ 252,788</u>	<u>\$ 758,636</u>	<u>\$ 1,011,424</u>	<u>\$ 852,308</u>
<b>Liabilities and Fund Balances</b>				
Accounts payable	\$ -	\$ 213,307	\$ 213,307	\$ 103,836
Fund balance	252,788	545,329	798,117	748,472
	<u>\$ 252,788</u>	<u>\$ 758,636</u>	<u>\$ 1,011,424</u>	<u>\$ 852,308</u>

## Statement of Continuity

For the year ended December 31			2024	2023
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total
<b>Fund balance,</b> beginning of the year	\$ 220,626	\$ 527,846	\$ 748,472	\$ 715,670
<b>Receipts</b>				
Interest earned	11,952	9,530	21,482	20,259
Gain on disposal of investments	-	110,601	110,601	29,333
Perpetual care	-	17,482	17,482	16,780
Prepaid needs	37,851	-	37,851	16,810
	<u>49,803</u>	<u>137,613</u>	<u>187,416</u>	<u>83,182</u>
<b>Expenses</b>				
Transfers to municipality	17,641	120,130	137,771	50,380
<b>Fund balance, end of the year</b>	<u>\$ 252,788</u>	<u>\$ 545,329</u>	<u>\$ 798,117</u>	<u>\$ 748,472</u>

The accompanying notes are an integral part of these consolidated financial statements.

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# The Corporation of the Town of Hanover Trust Funds Notes to Financial Information

December 31, 2024

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## 1. Accounting Policies

### Basis of Accounting

The financial information of The Corporation of the Town of Hanover Trust Funds are the representation of management prepared in accordance with Canadian public sector accounting standards.

The preparation of financial information in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial information, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### Basis of Consolidation

These trust funds have not been consolidated with the financial statements of the Town of Hanover.

### Portfolio Investments

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

### Financial Instruments

Cash is measured at fair value. All other financial instruments are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the balance sheet. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of continuity. Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost.



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**The Corporation of the Town of Hanover**  
**Trust Funds**  
**Notes to Financial Information**

**December 31, 2024**

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**2. Portfolio Investments**

Portfolio investments are made up of the following:

	<u>2024</u>	<u>2023</u>
Mutual funds	<u>\$ 562,642</u>	<u>\$ 452,041</u>
Market value	<u>\$ 823,813</u>	<u>\$ 683,294</u>

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**3. Financial Instruments**

The Trust is exposed to risks that arise from its use of financial instruments. The trust's financial instruments consist of cash, investments, interest receivable, due from the Town and due to the Town. It is management's opinion that the Trust is not exposed to significant currency risk arising from these financial instruments. The Trust is exposed to interest rate risk arising from its bank accounts and investments. The investments consist of pooled investments with One Investment Funds. The trust is exposed to credit risk relating to its cash and investments. The cash and investments are held in Canadian Chartered banks. Amounts due to the Township are due within 30 days and is a liquidity risk to the Trust.

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